oyees are excellent. However, if Ascent Media is unable to renegotiate its existing and/or expired collective bargaining agreements, it is possible that the affected union could ta in the form of a strike or work stoppage. It is likely that any such action would disrupt production at the particular facilities where members of such union work; however, Asc a does not believe that any such disruption would have a material adverse effect on its business.

significant labor dispute in Ascent Media's client industries could have a material adverse effect on its business. An industry-wide strike or other job action by or affecting the rs Guild, Screen Actors Guild or other major entertainment industry union could reduce the supply of original entertainment content, which would in turn, reduce the demand fo t Media's services. Ascent Media's Creative Services Group experienced volatility in its workflow from the combined effects of the Screen Actors Guild strike in 2000 and the ened Writers Guild strike in 2001.

iscovery airs certain entertainment programs that are dependent on specific on-air talent, and Discovery's ability to continue to produce these series is dependent on keeping th ent under contract.

isk of loss from earthquakes or other catastrophic events could disrupt Ascent Media's business. Some of Ascent Media's specially equipped and acoustically designed fac cated in Southern California, a region known for seismic activity. Due to the extensive amount of specialized equipment incorporated into the specially designed recording and , editorial suites, mixing rooms and other post-production facilities, Ascent Media's operations in this region may not be able to be temporarily relocated to mitigate the occurre trophic event. Ascent Media carries insurance for property loss and business interruption resulting from such events, including earthquake insurance, subject to deductibles, an es in other geographic locations. Although we believe Ascent Media has adequate insurance coverage relating to damage to its property and the temporary disruption of its busi asualties, and that it could provide services at other geographic locations, there can be no assurance that such insurance and other facilities would be sufficient to cover all of A 's costs or damages or Ascent Media's loss of income resulting from its inability to provide services in Southern California for an extended period of time.

iscovery is dependent upon advertising revenue. Discovery earns a substantial portion of its revenue from the sale of advertising time on its networks and web sites. Discov ising revenue is affected by viewer demographics, viewer ratings and market conditions for advertising. The overall cable and broadcast television industry is facing several iss egard to its advertising revenue, including (1) audience fragmentation caused by the proliferation of other television networks, video-on-demand offerings from cable and satell nies and broadband content offering, (2) the deployment of digital video recording devices (DVRs), allowing consumers to time shift programming and skip or fast-forward thr isements and (3) consolidation within the advertising industry, shifting more leverage to the bigger agencies and buying groups. Expenditures by advertisers tend to be cyclical, ing overall economic conditions as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or ctive advertisers' spending priorities. In addition, the public's reception toward programs or programming genres can decline. An adverse change in any of these factors could h ve effect on Discovery's revenues in any given period. Ascent Media's business is also dependent in part on the advertising industry, as a significant portion of Ascent Media's e is derived from the sale of services to agencies and/or the producers of television advertising.

iscovery's revenue is dependent upon the maintenance of affiliation agreements with cable and satellite distributors on acceptable terms. Discovery earns a substantial po evenue from per-subscriber license fees paid by cable operators, direct-to-home (DTH) satellite television operators and other channel distributors. Discovery's five core netwo ery Channel, TLC, Animal Planet, Travel Channel and Discovery Health, and the other networks in which Discovery has an ownership st, maintain affiliation arrangements that enable them to reach a large percentage of cable and direct broadcast satellite households across the United States, Asia, Europe and L ica. These arrangements are generally long-term arrangements ranging from 3 to 10 years. These affiliation arrangements usually provide for payment to Discovery based on th ers of subscribers that receive the Discovery networks. Discovery's core networks depend on achieving and maintaining carriage within the most widely distributed cable amming tiers to maximize their subscriber base and revenue. The loss of a significant number of affiliation arrangements on basic programming tiers could reduce the distributi very's networks, thereby adversely affecting such networks' revenue from per-subscriber fees and their ability to sell advertising or the rates they are able to charge for such tising. Those Discovery networks that are carried on digital tiers are dependent upon the continued upgrade of cable systems to digital capability and the public's continuing tance of, and willingness to pay for upgrades to, digital cable, as well as Discovery's ability to negotiate favorable carriage agreements on widely accepted digital tiers.

)ur businesses are subject to risks of adverse government regulation. Programming services, satellite carriers, television stations, Internet and data transmission companies t to varying degrees of regulation in the United States by the Federal Communications Commission and other entities and in foreign countries by similar entities. Such regulati ation are subject to the political process and have been in constant flux over the past decade. Moreover, substantially every foreign country in which our subsidiaries or business tes have, or may in the future make, an investment regulates, in varying degrees, the distribution, content and ownership of programming services and foreign investment in mming companies. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that our business and the business of ou tes will not be adversely affected by future legislation, new regulation or deregulation.

'ailure to obtain renewal of FCC licenses could disrupt our business. Ascent Media holds licenses, authorizations and registrations from the FCC required for the conduct c rk services business, including earth station and various classes of wireless licenses and an authorization to provide certain services. Most of the FCC licenses held by Ascent M transmit/receive earth stations, which cannot be operated without individual licenses. The licenses for these stations are granted for a period of fifteen years and, while the FC lly renews licenses for satellite earth stations routinely, there can be no assurance that Ascent Media's licenses will be renewed at their expiration dates. Registration with the F than licensing, is required for receiving transmissions from domestic satellites from points within the United States. Ascent Media relies on third party licenses or authorization it transmits domestic satellite traffic through earth stations operated by third parties. Our failure, and the failure of third parties, to obtain renewals of such FCC licenses could d twork services segment of Ascent Media and have a material adverse effect on Ascent Media. Further material changes in the law and regulatory requirements must be anticipa ere can be no assurance that our businesses will not be adversely affected by future legislation, new regulation, deregulation or court decisions.

)ur businesses operate in an increasingly competitive market, and there is a risk that our businesses may not be able to effectively compete with other providers in the futur entertainment and media services and programming businesses in which we compete are highly competitive and service-oriented. Ascent Media has few long-term or exclusiv e agreements with its creative services and media management services customers. Business generation in these groups is based primarily on customer satisfaction with reliabili ness, quality and price. The major motion picture studios, which are Ascent Media's customers, such as Paramount Pictures, Sony Pictures Entertainment, Twentieth Century Fo rsal Pictures, The Walt Disney Company, Metro-Goldwyn-Mayer and Warner Brothers, have the capability to perform similar services in-house. These studios also have substa r financial resources than Ascent Media's, and in some cases significant marketing advantages. Thus, depending on the in-house capacity available to some of these studios, a st e not only omer but also a competitor. There are also numerous independent providers of services similar to Ascent Media's. Thomson, a French corporation, is also a major competitor of t Media, particularly under its Technicolor brand. We also actively compete with certain industry participants that have a unique operating niche or specialty business. If there v cant decline in the number of motion pictures or the amount of original television programming produced, or if the studios or Ascent Media's other clients either established in- roduction facilities or significantly expanded their in-house capabilities, Ascent Media's operations could be materially and adversely affected.

)iscovery is primarily an entertainment and programming company that competes with other programming networks for viewers in general, as well as for viewers in special inte s and specific demographic categories. In order to compete for these viewers, Discovery must obtain a regular supply of high quality category-specific programming. To the ext very seeks third party suppliers of such programming, it competes with other cable and broadcast television networks for programming. The expanded availability of digital cab ion and the introduction of direct-to-home satellite distribution has greatly increased the amount of channel capacity available for new programming networks, resulting in the l imber of new programming networks by Discovery and its competitors. This increase in channel capacity has also made competitive niche programming networks viable, becau etworks do not need to reach the broadest possible group of viewers in order to be moderately successful.

)iscovery's program offerings must also compete for viewers and advertisers with other entertainment media, such as home video, online activities and movies. Increasing audie entation could have an adverse effect on Discovery's advertising and subscription revenue. In addition, the cable television and direct-to-home satellite industries have been going a period of consolidation. As a result, the number of potential buyers of the programming services offered by Discovery is decreasing. In this more concentrated market, tl no assurance that Discovery will be able to obtain or maintain carriage of its programming services by distributors on commercially reasonable terms or at all.

's Relating to the Spin Off

'e may incur material costs as a result of our separation from LMC. We may incur costs and expenses greater than those we currently incur as a result of our separation fro These increased costs and expenses may arise from various factors, including financial reporting, costs associated with complying with the federal securities laws (including ance with the Sarbanes-Oxley Act of 2002), tax administration and human resources related functions. Although LMC will continue to provide many of these services for us ur vices agreement, we cannot assure you that the services agreement will continue or that these costs will not be material to our business.

rior to the spin off, we have been operated as part of LMC and not as an independent company and we may be unable to make, on a timely or cost-effective basis, the chang ary to operate as an independent company. Prior to the spin off, our business was operated by LMC as part of its broader corporate organization, rather than as an independe ny. LMC's senior management oversaw the strategic direction of our businesses and LMC performed various corporate functions for us, including, but not limited to:

- selected human resources related functions;
- tax administration;
- selected legal functions (including compliance with the Sarbanes-Oxley Act of 2002), as well as external reporting;
- treasury administration, investor relations, internal audit and insurance functions; and

- selected information technology and telecommunications services.

Following the spin off, neither LMC nor any of its affiliates will have any obligation to provide these functions to us other than those services that will be provided by LMC pur services agreement between us and LMC. See "Certain Inter-Company Arrangements—Agreements with LMC—Services Agreement." If, once our services agreement termin not have in place our own systems and business functions, we do not have agreements with other providers of these services or we are not able to make these changes cost ively, we may not be able to operate our business effectively and our profitability may decline. If LMC does not continue to perform effectively the services that are called for rvices agreement, we may not be able to operate our business effectively after the spin off.

We will have potential conflicts of interest with LMC and Liberty Global, Inc. after the spin off. *We have overlapping directors and management with LMC and Liberty Gl which may lead to conflicting interests.* At the time of the spin off, six of our executive officers will continue to serve as executive officers of LMC and one of our executive off continue to serve as an executive officer of Liberty Global, Inc., or LGI. LGI is an independent, publicly traded company, which was formed in connection with the business ination between UnitedGlobalCom, Inc. and Liberty Media International, Inc., or LMI. All of the shares of LMI were distributed by LMC to its shareholders in June 2004. Our ectors will include persons who are members of the board of directors of LMC and/or LGI. We do not own any interest in LMC or LGI, and to our knowledge LGI does not ow diately following the spin off, LMC will not own, any interest in us. The executive officers and the members of our board of directors will have fiduciary duties to our stockhol vise, any such persons who serve in similar capacities at LMC and/or LGI will have fiduciary duties to such company's stockholders. Therefore, such persons may have conflict st or the appearance of conflicts of interest with respect to matters involving or affecting each company. For example, there will be the potential for a conflict of interest when or LGI look at acquisitions and other corporate opportunities that may be suitable for each of us. Moreover, after the spin off, most of our directors and officers, will continue t and/or LGI stock and options to purchase LMC and/or LGI stock, which they acquired prior to the spin off. These ownership interests could create, or appear to create, potentia cts of interest when these individuals are faced with decisions that could have different implications for our company and LMC or LGI. On June 1, 2005, the board of directors adopted a policy statement that, subject to certain qualifications, including the fiduciary duties of LMC's board of directors, LMC will use its commercially reasonable efforts t ble to us any corporate opportunity relating to the acquisition of all or substantially all of the assets of, or equity securities representing "control" (as defined in the policy staten entity whose primary business is the acquisition, creation and/or distribution of television programming consisting primarily of science and nature programming for distributi rily in the "basic" service provided by cable and satellite television distributors. This policy statement of LMC's board of directors can be amended, modified or rescinded by L of directors in its sole discretion at any time, and the policy automatically terminates without any further action of the board of directors of LMC on the second anniversary of t ution date. From time to time, LMC or LGI or their respective affiliates may enter into transactions with us or our subsidiaries or other affiliates. Although the terms of any suc ctions will be established based upon negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as ble to us or our subsidiaries or affiliates as would be the case where the parties are completely at arms' length.

Our inter-company agreements were negotiated when we were a subsidiary of LMC. We have entered into agreements with LMC pursuant to which LMC will provide to us c gement, administrative, financial, treasury, accounting, tax, legal and other services, for which we will reimburse LMC on a cost basis. In addition, we have entered into a numb ompany agreements ring matters such as tax sharing and our responsibility for certain liabilities previously undertaken by LMC for certain of our businesses. The terms of these agreements were lished while we were a wholly owned subsidiary of LMC, and hence were not the result of arms' length negotiations. However, we and LMC believe that such terms are comme nable and fair to both parties under the circumstances. Nevertheless, conflicts could arise in the interpretation or any extension or renegotiation of the foregoing agreements afte off. See "Certain Inter-Company Agreements."

We and LMC or LGI may compete for business opportunities. LMC will retain its interests in, and LGI owns interests in, various U.S. and international programming compar subsidiaries or controlled affiliates that own or operate domestic or foreign programming services that may compete with the programming services offered by our businesses. no rights in respect of U.S. or international programming opportunities developed by or presented to the subsidiaries or controlled affiliates of LMC or LGI, and the pursuit of t tunities by such subsidiaries or affiliates may adversely affect the interests of our company and its shareholders. In addition, a subsidiary of LGI operates a playout facility that etes with Ascent Media's London playout facility, and it is likely that other competitive situations will arise in the future. Because we, LMC and LGI have some overlapping di fficers, the pursuit of these opportunities may serve to intensify the conflicts of interest or appearance of conflicts of interest faced by our respective management teams. Our re icate of incorporation provides that no director or officer of ours will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such indiv s a corporate opportunity to another person or entity (including LMI and LGI) instead of us, or does not refer or communicate information regarding such corporate opportunity s (x) such opportunity was expressly offered to such person solely in his or her capacity as a director or officer of our company or as a director or officer of any of our subsidiar ch opportunity relates to a line of business in which our company or any of our subsidiaries is then directly engaged. See "Description of Our Capital Stock—Corporate rtunities."

The spin off could result in significant tax liability. LMC has obtained a private letter ruling from the IRS to the effect that, among other things, the spin off will qualify as a istribution for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the Code), and the transfer to us of as e assumption by us of liabilities in connection with the spin off will not result in the recognition of any gain or loss for U.S. federal income tax purposes to LMC. In addition, t conditioned upon the receipt by LMC of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP to the effect that, among other things, the spin off will qualify as a tax-free ction to LMC's shareholders and to LMC for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. See "The Spin Off—Material U.S. Federal In onsequences of the Spin Off."

lthough the private letter ruling relating to the qualification of the spin off under Sections 355 and 368(a)(1)(D) of the Code is generally binding on the IRS, the continuing val uling will be subject to the accuracy of factual representations and assumptions made in the ruling request. Also, as part of the IRS's general policy with respect to rulings on sp ctions under Section 355 of the Code, the private letter ruling obtained by LMC is not based upon a determination by the IRS that certain conditions which are necessary to obt eatment under Section 355 of the Code have been satisfied. Rather, such private letter ruling is based upon representations by LMC that these conditions have been satisfied, an racy in such representations could invalidate the ruling. As a result of this IRS policy, LMC has made it a condition to the spin off that LMC obtain the opinion of counsel desc . The opinion will be based upon various factual representations and assumptions, as well as certain undertakings made by LMC and us. If any of those factual representations o ptions were untrue or incomplete in any material respect, any undertaking was not complied with, or the facts upon which the opinion is based were materially different from th time of the spin off, the spin off may not qualify for tax-free treatment.

ons of counsel are not binding on the IRS. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challe x consequences to you could be materially less favorable. See "The Spin Off—Material U.S. Federal Income Tax Consequences of the Spin Off" for more information regardin e letter ruling and the tax opinion.

f the spin off does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, LMC would be subject to tax as if it had sold the common stock of ou any in a taxable sale for its fair market value. LMC's shareholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of our comi that was distributed to them. It is expected that the amount of any such taxes to LMC's shareholders and LMC would be substantial. See "The Spin Off—Material U.S. Federal e Tax Consequences of the Spin Off."

potential indemnity liability to LMC if the spin off is treated as a taxable transaction could materially adversely affect our company. In the tax sharing agreement with LI ve agreed to indemnify LMC and its subsidiaries, and their respective officers and directors, for any loss, including any adjustment to taxes of LMC, resulting from (1) any actio to act by us or any of our subsidiaries following the completion of the spin off that would be inconsistent with or prohibit the spin off from qualifying as a tax-free transaction and to you under Sections 355 and 368(a)(1)(D) of the Code, (2) any agreement, understanding, arrangement or substantial negotiations entered into by us or any of our subsidi o the day after the first anniversary of the distribution date, with respect to any transaction pursuant to which any of Cox Communications, Advance/Newhouse or certain perso l to Cox Communications or Advance/Newhouse would acquire shares of, or other interests (including options) in our capital stock or (3) any action or failure to act by us or an bsidiaries following the completion of the spin off that would be inconsistent with, or otherwise cause any person to be in breach of, any representation or covenant made in ction with the tax opinion delivered to LMC by Skadden, Arps, Slate, Meagher & Flom LLP or the private letter ruling obtained by LMC from the IRS, in each case relating to, other things, the qualification of the spin off as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code. For a more detailed discussion, see "Certain any Agreements—Agreements with LMC—Tax Sharing Agreement." Our indemnification obligations to LMC and its subsidiaries, officers and directors are not limited in amo t to any cap. If we are required to indemnify LMC and its subsidiaries and their respective officers and directors under the circumstances set forth in the tax sharing agreement, e subject to substantial liabilities.

s Relating to our Common Stock and the Securities Market

'e cannot be certain that an active trading market will develop or be sustained after the spin off, and following the spin off our stock price may fluctuate significantly. W assure you that an active trading market will develop or be sustained for our common stock after the spin off. Nor can we predict the prices at which either series of our comm nay trade after the spin off. Similarly, we cannot predict the effect of the spin off on the trading prices of LMC's common stock or whether the market value of the shares of a se common stock and the shares of the same series of LMC's common stock held by a shareholder after the spin off will be less than, equal to or greater than the market value of th of that series of LMC's common stock held by such shareholder prior to the spin off.

ne market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;

- the operating and stock price performance of comparable companies; and
- domestic and foreign economic conditions.

If, following the spin off, we are unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or our internal control over financial reporting is not ***tive, the reliability of our financial statements may be questioned and our stock price may suffer.*** Section 404 of the Sarbanes-Oxley Act of 2002 requires any company sul eporting requirements of the U.S. securities laws to do a comprehensive evaluation of its and its consolidated subsidiaries' internal control over financial reporting. To comply w e, we will be required to document and test our internal control procedures; our management will be required to assess and issue a report concerning our internal control over fi ting; and our independent auditors will be required to issue an opinion on management's assessment of those matters. Our compliance with Section 404 of the Sarbanes-Oxley A oe tested in connection with the filing of our Annual Report on Form 10-K for the fiscal year ending December 31, 2006. The rules governing the standards that must be met for gement to assess our internal control over financial reporting are new and complex and require significant documentation, testing and possible remediation to meet the detailed ards under the rules. During the course of its testing, our management may identify material weaknesses or deficiencies which may not be remedied in time to meet the deadline sed by the Sarbanes-Oxley Act. If our management cannot favorably assess the effectiveness of our internal control over financial reporting or our auditors identify material nesses in our internal control, investor confidence in our financial results may weaken, and our stock price may suffer. In addition, our internal controls must necessarily rely in the adequacy of Discovery's internal controls. However, Discovery, as a private company, is not subject to the requirements of the Sarbanes-Oxley Act in this regard, and we ca ol, or require Discovery to change, its internal controls.

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. Certain provisions of our restated certificate of incorporation and l liscourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include the following:

- authorizing a capital structure with multiple series of common stock: a Series B that entitles the holders to ten votes per share, a Series A that entitles the holders to on per share and a Series C that, except as otherwise required by applicable law, entitles the holders to no voting rights;
- authorizing the issuance of "blank check" preferred stock, which could be issued by our board of directors to increase the number of outstanding shares and thwart a ta attempt;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of shareholders;
- prohibiting shareholder action by written consent (subject to certain exceptions), thereby requiring shareholder action to be taken at a meeting of the shareholders;
- establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by shareh at shareholder meetings;
- requiring shareholder approval by holders of at least 80% of our voting power or the approval by at least 75% of our board of directors with respect to certain extraord matters, such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated certificate of incorporation;

- requiring the consent of the holders of at least 75% of the outstanding Series B common stock (voting as a separate class) to certain share distributions and other corpo actions in which the voting power of the Series B common stock would be diluted by, for example, issuing shares having multiple votes per share as a dividend to hold Series A common stock; and

- the existence of authorized and unissued stock which would allow our board of directors to issue shares to persons friendly to current management, thereby protecting continuity of its management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us.

)ur board of directors has approved the adoption of a shareholder rights plan in order to encourage anyone seeking to acquire our company to negotiate with our board of direct o attempting a takeover. While the plan is designed to guard against coercive or unfair tactics to gain control of our company, the plan may have the effect of making more diffi ng any attempts by others to obtain control of our company. See "Description of Our Capital Stock—Shareholder Rights Plan."

fter the spin off, we may be controlled by one principal shareholder. John C. Malone beneficially owns shares of LMC common stock representing approximately 29.7% o s voting power. Following the consummation of the spin off, Dr. Malone will beneficially own shares of our common stock that may represent up to approximately 29.7% of ou power, based upon his beneficial ownership of LMC common stock, as of April 29, 2005 (as reflected under "Management—Security Ownership of Management" below), and ution ratio. By virtue of Dr. Malone's voting power in our company as well as his positions as our Chairman of the Board and Chief Executive Officer, Dr. Malone may be deer l our operations. In connection with the spin off, Dr. Malone agreed, subject to certain exceptions, not to transfer any shares of our Series B common stock that he beneficially pecified period of time after the spin off. See "Management—Lock-Up Agreement."

lolders of any single series of our common stock may not have any remedies if any action by our directors or officers has an adverse effect on only that series of our comm Principles of Delaware law and the provisions of our restated certificate of incorporation may protect decisions of our board of directors that have a disparate impact upon ho single series of our common stock. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of our shareholders, including the l series of our common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors al duty to all common shareholders regardless of class or series and does not have separate or additional duties to any group of shareholders. As a result, in some circumstances rs may be required to make a decision that is adverse to the holders of one series of our common stock. Under the principles of Delaware law referred to above, you may not be lenge these decisions if our board of directors is disinterested and adequately informed with respect to these decisions and acts in good faith and in the honest belief that it is ac st interests of all of our shareholders.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

This information statement contains certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. In partic nation included under "The Spin Off," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of our Busi in forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projec statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and ved to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors described he the headings "Risk Factors" the following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- general economic and business conditions and industry trends including the timing of, and spending on, feature film and television production;
- consumer spending levels, including the availability and amount of individual consumer debt;
- spending on domestic and foreign television advertising and spending on domestic and foreign first run and existing content libraries;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
- continued consolidation of the broadband distribution and movie studio industries;
- uncertainties inherent in the development and integration of new business lines, acquired operations and business strategies;
- changes in the distribution and viewing of television programming, including the expanded deployment of personal video recorders and other technology and their im television advertising revenue;
- rapid technological changes;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television an telecommunications technologies;
- future financial performance, including availability, terms and deployment of capital;
- fluctuations in foreign currency exchange rates and political unrest in international markets;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- the possibility of an industry-wide strike or other job action by or affecting a major entertainment industry union;
- changes in, or failure or inability to comply with, government regulations, including regulations of the Federal Communications Commission, and adverse outcomes fr regulatory proceedings;
- changes in the nature of key strategic relationships with partners and joint venturers;

- competitor responses to our products and services, and the products and services of the entities in which we have interests; and

- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this information statement, and we expressly disclaim any obligatio taking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other cha s, conditions or circumstances on which any such statement is based. Neither the Private Securities Litigation Reform Act of 1995 nor Section 21E of the Securities Exchange A provides any protection for forward-looking statements made in this information statement.

THE SPIN OFF

ground

Ve are currently a wholly owned subsidiary of LMC, and our assets and businesses consist of Ascent Media, which is a wholly owned subsidiary of ours, a 50% ownership inte very and $200 million in cash. Ascent Media provides creative, media management and network services to the media and entertainment industries. Discovery is a global ainment and media company, which produces original programming and acquires content from numerous vendors worldwide. Discovery's 65 networks of distinctive programm ent 21 entertainment brands including Discovery Channel, TLC, Animal Planet, Travel Channel, Discovery Health Channel, Discovery Kids and a family of digital channels.

'he board of directors of LMC has determined to separate its interest in Ascent Media and Discovery from its other businesses and assets by means of a spin off. To accomplish ff, LMC is distributing all of its equity interest in our company, consisting of shares of our Series A common stock and our Series B common stock, to LMC's shareholders on asis. Following the spin off, LMC will cease to own any equity interest in our company, and we will be an independent, publicly traded company. No vote of LMC's shareholde ed or being sought in connection with the spin off, and LMC's shareholders have no appraisal rights in connection with the spin off.

ns for the Spin Off

'he board of directors of LMC considered the following potential benefits in making its determination to consummate the spin off:

- *Enhancing the ability of LMC to issue equity and equity-linked securities, by reducing LMC's holding company discount* . LMC believes that LMC common stock has trading at a significant discount to the value of LMC's businesses and other assets. Although it is not uncommon for the equity of public companies, and in particular h companies, to trade at a discount to their net asset value, based on what each asset might be expected to bring in a private sale, LMC believes that, in the case of LMC, "holding company discount" is excessive. LMC believes that the excess discount reflects a perception in the market that the complex ownership structures through whi holds many of its businesses and investments, the diversity and complexity of those interests and the inability of LMC to exercise control over a portion of its assets he joint ventures or through investments in other publicly traded companies results in a lack of financial transparency. We and LMC believe that the spin off will make it for investors to understand and evaluate the financial performance and businesses of LMC and us, and that, following the spin off, the holding company discounts for c company and LMC will be less than the holding company discount of LMC prior to the spin off. The anticipated reduction in LMC's holding company discount is expe to benefit the businesses of LMC by (1) permitting LMC to issue equity and convertible securities on more favorable terms, (2) making the stock of LMC a more attrac and efficiently priced acquisition currency and (3) increasing the value of equity and equity-linked compensation of the employees and management of LMC.
- *Enabling investors to invest more directly in our interest in Discovery, thereby facilitating our ability to raise capital and pursue acquisitions using our securities as consideration* . We believe that our common stock may appeal to investors who desire a relatively "pure play" investment in the cable programming sector. By contrast although LMC will continue to own interests in programming networks after the spin off (such as Starz Entertainment, Court TV and GSN), its largest business segmen expected to be its Interactive Group, which offers a wide array of interactive services, such as electronic retailing and interactive technology services. In addition, Discovery's business model, which relies heavily on advertising revenues and anticipates

continued global growth, is different from the subscription fee-based business model of Starz Entertainment. Accordingly, investments in our company and LMC may to investors with different goals, interests and concerns. Establishing separate equity securities will allow investors to make separate investment decisions with respect company's and LMC's respective businesses. We believe the spin off will also allow us to raise capital and pursue acquisitions on more favorable terms than would cu be possible as a subsidiary of LMC. In addition, as a separate company, we will be able to incur additional indebtedness as may be required for the growth of our busi or potential strategic opportunities, without affecting LMC's target capital structure.

The board of directors of LMC also considered the costs and risks associated with the spin off, including any potential negative impact on LMC's credit profile as a result of the iture of our assets, and the additional legal, accounting and administrative costs associated with our becoming a public company, and determined that such costs and risks were ingfully outweighed by the anticipated benefits of the spin off.

Neither we nor LMC can assure you that, following the spin off, any of these benefits will be realized to the extent we anticipate or at all.

ier of Effecting the Spin Off

.MC will effect the spin off by distributing to its shareholders as a dividend:

- 0.10 of a share of our Series A common stock for every share of LMC Series A common stock, and
- 0.10 of a share of our Series B common stock for every share of LMC Series B common stock,

h case, owned of record by each shareholder on the record date.

rior to the spin off, LMC will deliver all of the issued and outstanding shares of our Series A common stock and Series B common stock to the distribution agent. On or about J (which we refer to as the distribution date), the distribution agent will effect delivery of the shares of our common stock issuable in the spin off in the same form, certificated or as the form in which the recipient shareholder held its shares of LMC common stock on the record date. Please note that if any shareholder of LMC on the record date sells sha common stock after the record date but before the distribution date, the buyer of those shares, and not the seller, will become entitled to receive the shares of our common stock le in respect of the shares sold. See "—Trading between the Record Date and the Distribution Date" below for more information.

hareholders of LMC are not being asked to take any action in connection with the spin off. No shareholder approval of the spin off is required or being sought. We are not askir roxy, and you are requested not to send us a proxy. You are also not being asked to surrender any of your shares of LMC common stock for shares of our common stock. The n standing shares of LMC common stock will not change as a result of the spin off.

nent of Fractional Shares

' any shareholder would be entitled to receive a fractional share of our common stock in the spin off, that shareholder will instead receive a cash payment from LMC. As soon a able following the record date, the distribution agent will determine the fractional share interests in our common stock that would be attributable to each holder of record of LM on stock on the record date as a result of the spin off, but such fractional shares will not be issued. In lieu thereof, each such holder will receive a cash amount equal to the produ pplicable fraction multiplied by the average of the closing prices of the applicable series of our common stock on the Nasdaq National Market over

st ten consecutive trading days that our common stock trades in the regular way market. The distribution agent will calculate such amounts and distribute a check to each such r
as soon as practicable following such ten trading day period. No interest will be paid on any cash distributed in lieu of fractional shares. The receipt of cash in lieu of fractional
will generally be taxable to the recipient shareholders. See "—Material U.S. Federal Income Tax Consequences of the Spin Off" below for more information.

ment of LMC Stock Incentive Awards

ptions to purchase shares of LMC common stock, stock appreciation rights (or SARs) with respect to shares of LMC common stock and shares of LMC restricted stock have be
d to various directors, officers, employees and consultants of LMC and certain of its subsidiaries pursuant to the Liberty Media Corporation 2000 Incentive Plan (as amended ar
d effective April 19, 2004) and various other stock incentive plans administered by the incentive plan committee of LMC's board of directors. Under the anti-dilution provisions
plicable plans, the LMC incentive plan committee has the authority to make equitable adjustments to outstanding LMC options, LMC SARs and shares of LMC restricted stock
of certain transactions, including the distribution of our common stock in the spin off. Such committee has determined that holders of LMC restricted stock awards will receive
s of our restricted stock in connection with the spin off, as described below. The committee has also determined to make various adjustments to outstanding LMC options and L
as described below, to preserve the economic benefits of the original award following the spin off. Any options to purchase shares of our common stock issued in connection w
djustments will be obligations of our company. All options exercisable for, and all SARs relating to, shares of LMC common stock, regardless of any adjustment, will remain
tions of LMC. The terms and conditions of the grant of stock options to purchase shares of our common stock and of restricted shares of our common stock, in each case, as
plated below, are set forth in the Discovery Holding Company Transitional Stock Adjustment Plan, a form of which is included as an exhibit to the Form 10 registration statem
this information statement is a part.

October 2004, The American Jobs Creation Act of 2004, which we refer to as the AJCA, was signed into law. The AJCA significantly alters the rules relating to the taxation o
d compensation, and may affect outstanding awards such as the LMC options and LMC SARs, and adjustments to such awards, as well as the issuance of any options to acquir
The IRS is expected to promulgate regulations and additional guidelines for employers seeking to comply with the AJCA but has not yet promulgated regulations applicable to
transactions such as the spin off. To the extent that the methods described below for the adjustment of existing LMC awards in connection with the spin off would result in the
ve awards not complying with the requirements of the AJCA, LMC intends to take any further actions it determines to be necessary in order to satisfy the requirements of the
d compensation provisions of the AJCA.

Awards

s of the record date, each outstanding LMC option held by individuals who are directors, officers or employees of LMC (such individuals being referred to as LMC Holders) wi
into two options as follows:

- an option (which we refer to as a Discovery Holding option) to purchase shares of the same series of our common stock as the series of LMC common stock for which t outstanding LMC option is exercisable, exercisable for the number of shares of such series of our common stock that would have been issued in the spin off in respect o shares of LMC common stock subject to the applicable LMC option, if such LMC option had been exercised in full immediately prior to the record date; and

- an option (which we refer to as an adjusted LMC option) to purchase shares of the same series of LMC common stock as the series of LMC common stock for which t outstanding LMC option is exercisable, exercisable for the same number of shares of such series of LMC common stock as is the outstanding LMC option.

ggregate exercise price of each outstanding LMC option held by an LMC Holder will be allocated between the Discovery Holding option and the adjusted LMC option. All oth and conditions of the Discovery Holding option and the adjusted LMC option will generally be the same as the outstanding LMC option, in all material respects.

ll other holders of outstanding LMC options will retain their LMC options subject to the terms thereof and subject to an adjustment to increase the number of LMC shares for ption is exercisable and a corresponding adjustment to decrease the exercise price per share of such option, in each case to reflect the distribution of our common stock in the s her terms of the outstanding LMC option will in all material respects be retained.

s a result of these adjustments, certain persons who are employed by or associated with LMC immediately following the distribution date will hold Discovery Holding options, persons who will be employed by or associated with our company immediately following the distribution date may hold adjusted LMC options. Regardless of these employm elationships, LMC will not be responsible for the exercise or settlement of any Discovery Holding option, and we will not be responsible for the exercise or settlement of any L (including an adjusted LMC option). Any exercising holder of a Discovery Holding option must exercise the security directly with us. Similarly, any exercising holder of an L must exercise the security directly with LMC. In this regard, we will enter into an option agreement with each holder of a Discovery Holding option, and, if necessary, LMC w its existing option agreement with each holder of an outstanding LMC option, in each case to reflect the provisions described above.

n May 24, 2005, LMC commenced an offer to purchase for cash certain outstanding LMC options held by employees, consultants and independent contractors of Ascent Medi expired at 9:00 p.m., Pacific time, on June 21, 2005. The LMC options that LMC purchased pursuant to such offer were not subject to any adjustment as a result of the spin off nplated by the offer to purchase, such purchased LMC options were cancelled and terminated.

wards

Vhile stock appreciation rights will not be issued by our company in connection with the spin off, each stock appreciation right related to LMC common stock, outstanding as o date (which we refer to as an outstanding LMC SAR), will be adjusted in a manner similar to the adjustment to outstanding LMC options described under "—Option Awards"

herefore, individuals who are LMC Holders and who hold outstanding LMC SARs as of the record date will receive an adjusted LMC SAR and a Discovery Holding option in ement of an outstanding LMC SAR, as follows:

- the number of shares for which the Discovery Holding option will be exercisable will be determined in the same manner described under "—Option Awards" above fo awarding Discovery Holding options to LMC Holders, determined as if the LMC SAR were instead an LMC option exercisable for the kind and number of shares of L common stock to which the LMC SAR relates; and

- the base price of the outstanding LMC SAR will be divided between (i) the base price of the adjusted LMC SAR and (ii) the exercise price of the Discovery Holding o

Following the record date, Discovery Holding options received by an LMC Holder as an adjustment to such LMC Holder's LMC SAR will continue to vest for so long as his or
ted LMC SARs continue to vest.

Except as otherwise provided herein, all other holders of outstanding LMC SARs will retain their LMC SAR subject to the terms thereof and subject to an adjustment to increas
er of LMC shares underlying such LMC SAR and a corresponding adjustment to decrease the base price per share of such LMC SAR, in each case to reflect the distribution of
non stock in the spin off. All other terms of the outstanding LMC SAR will in all material respects be retained.

The exercise or settlement of any Discovery Holding option or LMC SAR will be addressed in a manner similar to the exercise or settlement of any Discovery Holding option, I
n or adjusted LMC option as described under "—Option Awards" above. In this regard, as soon as practicable following the distribution date, we will enter into an option agree
each LMC Holder receiving a DHC option in respect of his LMC SAR, and, if necessary, LMC will amend its existing stock appreciation rights agreement with such LMC Hol
case to reflect the foregoing adjustments.

icted Stock Awards

For each unvested LMC restricted stock award outstanding as of the record date, the holder of such restricted stock award will be entitled to receive, for each share of restricted
non stock awarded thereunder, an award of 0.10 of a share of the same series of our common stock as the shares of LMC common stock to which such LMC restricted stock aw
s. The distribution will not have any other effect on the outstanding LMC restricted stock awards, and the restricted stock awards relating to our common stock will be subject t
terms and conditions as apply to the LMC restricted stock award with respect to which the distribution is made. In the case of any holders of LMC restricted stock who will be
ectors of our company at the time of the spin off, the foregoing grants of our restricted stock shall be subject to any approvals that may be required by our board of directors, or
ers of our board who are independent directors, as applicable.

We intend to file a Form S-8 registration statement with respect to shares of our common stock issuable upon vesting of awards of our restricted stock as soon as practicable foll
stribution date.

rial U.S. Federal Income Tax Consequences of the Spin Off

The following is a summary of certain material U.S. federal income tax consequences to LMC and the holders of LMC common stock resulting from the spin off. This discussio
upon the Internal Revenue Code of 1986, as amended (the Code), existing and proposed Treasury Regulations promulgated thereunder and current administrative rulings and c
ons, all as in effect as of the date of this information statement, and all of which are subject to change. Any such change, which may or may not be retroactive, could materially
consequences to LMC or the holders of LMC common stock as described in this information statement. This summary does not discuss all U.S. federal income tax considerati
ay be relevant to particular shareholders in light of their particular circumstances, such as shareholders who are dealers in securities, banks, insurance companies, tax-exempt
zations and non-United States persons. In addition, the following discussion does not address the tax consequences of the spin off under U.S. state or local and non-U.S. tax lav
consequences of transactions effectuated prior to or after the spin off (whether or not such transactions are undertaken in connection with the spin off). ACCORDINGLY,
DERS OF LMC COMMON STOCK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE AND LOCAL AND NON
CONSEQUENCES OF THE SPIN OFF TO THEM.

LMC has obtained a private letter ruling from the IRS, and it is a condition to the spin off that LMC receive the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, in each ffect that the spin off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code and that, accordingly, for U.S. federal income tax purposes, among s:

- no gain or loss will be recognized by LMC upon the distribution of (a) shares of our Series A common stock to holders of LMC Series A common stock and (b) share Series B common stock to holders of LMC Series B common stock pursuant to the spin off;
- other than with respect to fractional shares of our common stock, no gain or loss will be recognized by, and no amount will be included in the income of, a holder of L common stock upon the receipt of shares of our common stock pursuant to the spin off or upon receipt of the rights that will be attached to our common stock pursuan shareholder rights plan described in "Description of our Capital Stock—Shareholder Rights Plan;"
- an LMC shareholder who receives shares of our common stock in the spin off will have an aggregate adjusted basis in its shares of our common stock (including any fractional share in respect of which cash is received) and its shares of LMC common stock immediately after the spin off equal to the aggregate adjusted basis of the shareholder's LMC common stock held prior to the spin off, which will be allocated in accordance with their relative fair market values; and
- the holding period of the shares of our common stock received in the spin off by an LMC shareholder will include the holding period of its shares of LMC common st provided that such shares of LMC common stock were held as a capital asset on the distribution date.

rivate letter ruling obtained from the IRS also generally provides that if an LMC shareholder holds different blocks of LMC common stock (generally shares of LMC common ased or acquired on different dates or at different prices), the aggregate basis for each block of LMC common stock purchased or acquired on the same date and at the same pri ocated, to the greatest extent possible, between the shares of our common stock (including any fractional share) received in the spin off in respect of such block of LMC comm and such block of LMC common stock, in proportion to their respective fair market values, and the holding period of the shares of our common stock (including any fractional ed in the spin off in respect of such block of LMC common stock will include the holding period of such block of LMC common stock, provided that such block of LMC comn was held as a capital asset on the distribution date. If an LMC shareholder is not able to identify which particular shares of our common stock (including any fractional share) a ed in the spin off with respect to a particular block of LMC common stock, the shareholder may designate which shares of our common stock (including any fractional share) a ed in the spin off in respect of a particular block of LMC common stock, provided that such designation is consistent with the terms of the spin off. Holders of LMC common s ged to consult their own tax advisors regarding the application of these rules to their particular circumstances.

f you receive cash in lieu of a fractional share of our common stock as part of the spin off, you will be treated as though you first received a distribution of the fractional share i ff and then sold it for the amount of such cash. You will generally recognize capital gain or loss, provided that the fractional share is considered to be held as a capital asset, me difference between the cash you receive for such fractional share and your tax basis in that fractional share, as determined above. Such capital gain or loss will be a long-term r loss if your holding period for such fractional share of LMC common stock is more than one year on the distribution date.

lthough the private letter ruling relating to the qualification of the spin off under Sections 355 and 368(a)(1)(D) of the Code is generally binding on the IRS, the continuing val uling is subject to the accuracy of factual representations and assumptions. Further, as part of the IRS's general policy with respect to spin off transactions under Section 355 of the Code, the private letter ruling is not based upon a determination by the IRS that certain conditions which a sary to obtain tax-free treatment under Section 355 of the Code have been satisfied. Rather, the private letter ruling is based upon representations by LMC that these conditions satisfied. If any of the representations or assumptions upon which the private letter ruling obtained by LMC is based are incorrect or untrue in any material respect, or the facts the ruling is based were materially different from the facts at the time of the spin off, the private letter ruling could be invalidated.

As a result of this IRS ruling policy with respect to spin off transactions under Section 355 of the Code, LMC has made it a condition to the spin off that LMC receive an opinio den, Arps, Slate, Meagher & Flom LLP to the effect that the spin off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code. Opinions of counsel nding upon the IRS, and the conclusions in the tax opinion could be challenged by the IRS. The opinion of counsel will be based upon the Code, Treasury Regulations, adminis s and court decisions, all as in effect as of the date on which the opinion is issued, and all of which are subject to change, possibly with retroactive effect. In addition, the opinic el will be based upon certain factual representations made by the officers of LMC and certain of its affiliates, certain assumptions and certain undertakings by us and LMC. If a factual representations or assumptions were incorrect or untrue in any material respect, any undertaking was not complied with, or the facts upon which the opinion is based we ially different from the facts at the time of the spin off, the spin off may not qualify for tax-free treatment.

f the spin off did not qualify for tax-free treatment, then LMC would recognize taxable gain in an amount equal to the excess of the value of the shares of our common stock he immediately prior to the spin off over LMC's tax basis in such shares of our common stock. In addition, a holder of LMC's common stock would be subject to tax as if it had re ble distribution in an amount equal to the fair market value of the shares of our common stock received in the spin off by such holder. See "Risk Factors—Factors Relating to tl The spin off could result in significant tax liability."

Even if the spin off otherwise qualifies for tax-free treatment to the shareholders of LMC, it may be disqualified as tax-free to LMC under Section 355(e) of the Code if 50% or er the total combined voting power or the total fair market value of the stock of LMC or our company is acquired as part of a plan or series of related transactions that includes ff. For this purpose, any acquisitions of LMC stock or our stock after the spin off are generally part of such a plan only if there was an agreement, understanding, arrangement ntial negotiations regarding the acquisition or a similar acquisition at some time during the two-year period ending on the date of the spin off. All of the facts and circumstance nsidered to determine whether the spin off and any acquisition of stock are part of such a plan, and certain acquisitions of stock pursuant to public sales are exempted by applica tions. If Section 355(e) applies as a result of such an acquisition of LMC stock or our stock, LMC would recognize taxable gain, but the spin off would nevertheless generally t each holder of LMC stock who received shares of our stock in the spin off.

Under the tax sharing agreement between our company and LMC, LMC and its subsidiaries, officers and directors will be entitled to indemnification from us for any loss, includ ljustment to taxes of LMC, resulting from (1) any action or failure to act by us or any of our subsidiaries following the completion of the spin off that would be inconsistent wit it the spin off from qualifying as a tax-free transaction to LMC and to you under Sections 355 and 368(a)(1)(D) of the Code (including any action or failure to act that results ir ition of 50% or more of either the total combined voting power or the total fair market value of our stock as described in the preceding paragraph), (2) any agreement, understa ement or substantial negotiations entered into by us or any of our subsidiaries prior to the day after the first anniversary of the distribution date, with respect to any transaction nt to which any of Cox Communications, Advance/Newhouse or in persons related to Cox Communications or Advance/Newhouse would acquire shares of, or other interests (including options) in our capital stock or (3) any action or failure s or any of our subsidiaries following the completion of the spin off that would be inconsistent with, or otherwise cause any person to be in breach of, any representation or cove e in connection with the tax opinion delivered to LMC by Skadden, Arps, Slate, Meagher & Flom LLP or the private letter ruling obtained by LMC from the IRS, in each case r mong other things, the qualification of the spin off as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code. Please see "Certain Inter Company ements—Agreements with LMC—Tax Sharing Agreement" for a more detailed discussion of the tax sharing agreement between our company and LMC.

Treasury Regulations under Section 355 of the Code require that each LMC shareholder who receives shares of our common stock pursuant to the spin off attach a statement to federal income tax return that will be filed by the shareholder for the taxable year in which such shareholder receives the shares of our common stock in the spin off, which stat s the applicability of Section 355 of the Code to the spin off. LMC will provide each holder of LMC common stock with the information necessary to comply with this requiren

lts of the Spin Off

Immediately following the spin off, we expect to have outstanding approximately 268 million shares of our Series A common stock and approximately 12 million shares of our s B common stock, based upon the number of shares of LMC Series A common stock and LMC Series B common stock outstanding on April 29, 2005. The actual number of sl eries A common stock and Series B common stock to be distributed in the spin off will depend upon the actual number of shares of LMC Series A common stock and LMC Ser non stock outstanding on the record date.

Immediately following the spin off, we expect to have approximately 4,583 holders of record of shares of our common stock, based upon the number of record holders of LMC non stock on April 29, 2005 (which amount does not include the number of shareholders whose shares are held of record by banks, brokerage houses or other institutions, but in such institution as one shareholder).

ng and Trading of our Common Stock

On the date of this information statement, we are a wholly owned subsidiary of LMC. Accordingly, there is currently no public market for our common stock. We have applied hares of Series A common stock and Series B common stock on the Nasdaq National Market under the symbols "DISCA" and "DISCB," respectively. Following the spin off, LI A common stock and LMC Series B common stock will continue to trade on the New York Stock Exchange under the symbols "L" and "LMC.B," respectively.

Neither we nor LMC can assure you as to the trading price of either series of our common stock after the spin off or as to whether the combined trading prices of a series of our non stock and the same series of LMC's common stock after the spin off will be less than, equal to or greater than the trading prices of that series of LMC's common stock prior ff. See "Risk Factors—Factors Relating to Our Common Stock and the Securities Market."

The shares of our common stock distributed to LMC's shareholders will be freely transferable, except for shares received by individuals who are our affiliates and any shares uted in respect of any LMC restricted stock. Individuals who may be considered our affiliates after the spin off include individuals who control, are controlled by or are under on control with us, as those terms generally are interpreted for federal securities law purposes. This may include some or all of our executive officers and directors. Individuals r affiliates will be permitted to sell their shares of our common stock only pursuant to an effective registration statement under the Securities Act of

, as amended, or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Section 4(2) of the Securities Act or Rule 144 thereu
ıffiliates will not be permitted to sell shares of our common stock under Rule 144 until 90 days after the date on which the registration statement of which this information state
s a part became effective.

ing Between the Record Date and Distribution Date

Between the record date and the distribution date, LMC common stock will continue to trade on the NYSE in the regular way market. During this time, shares of either series of
non stock that trade on the regular way market will trade with an entitlement to receive shares of the same series of our common stock distributable in the spin off. No ex-divide
et will be established until the distribution date. Therefore, if you own shares of either series of LMC common stock on the record date and thereafter sell those shares prior to th
oution date, you will also be selling the shares of our common stock that would have been distributed to you in the spin off with respect to the shares of LMC common stock yo
e distribution date, shares of LMC Series A common stock and LMC Series B common stock will begin trading without any entitlement to receive shares of our common stock.
MC Series A common stock and LMC Series B common stock trade under the symbols "L" and "LMC.B," respectively.

On July 8, 2005, when-issued trading in our Series A common stock commenced on the OTC Bulletin Board under the symbol "DCHAV." As of the date hereof, there are no pl
eries B common stock to trade on a when-issued basis, but a when-issued trading market in our Series B common stock may develop between the record date and the distributio
eries A and Series B common stock is expected to be listed for trading on the Nasdaq National Market. The when-issued trading market, if any, is a market for the shares of ou
non stock that will be distributed in the spin off. If you own shares of either series of LMC common stock on the record date (and do not sell those shares of LMC common stoc
e the distribution date), then you are entitled to a number of shares of the same series of our common stock based upon the number of shares of such series of LMC common sto
t that time. You may trade this entitlement to receive shares of our common stock, without the shares of LMC common stock you own, on the when-issued trading market. We
-issued trades of our common stock to settle within two trading days after the distribution date. On the distribution date, any when-issued trading with respect to our common st
nd and regular way trading will begin. The listing for our common stock for when-issued trading, if any, is expected to be under trading symbols different from our regular way
g symbols. The trading symbol for our Series A common stock that trades on a when-issued basis is "DCHAV." We will announce the when-issued trading symbol for the Seri
non stock when and if it becomes available. On the distribution date, shares of our Series A common stock and Series B common stock are expected to be listed under the tradin
ols "DISCA" and "DISCB," respectively. If the spin off does not occur, all when-issued trading will be null and void.

ons for Furnishing this Information Statement

This information statement is being furnished solely to provide information to LMC shareholders who will receive shares of our common stock in the spin off. It is not and is no
ued as an inducement or encouragement to buy or sell any of our securities or any securities of LMC. We believe that the information contained in this information statement is
te as of the date set forth on the cover. Changes to the information contained in this information statement may occur after that date, and neither our company nor LMC underta
oligation to update the information except in the normal course of our respective public disclosure obligations and practices.

CAPITALIZATION

The following table sets forth (1) our historical capitalization as of March 31, 2005 and (2) our adjusted capitalization assuming the spin off was effective on March 31, 2005. Tl should be read in conjunction with our historical combined financial statements, including the notes thereto, and " *Management's Discussion and Analysis of Financial Conditic ts of Operations* " included elsewhere herein.

		March 31, 2005	
		Historical	As adjusted
		amounts in thousands	
1)	$	15,181	215,181
les, accruals and other liabilities	$	125,115	125,115
ed tax liabilities		1,091,985	1,091,985
Total liabilities		1,217,100	1,217,100
:			
mmon Stock ($.01 par value):			
Series A; 600,000,000 shares authorized; 267,895,063 assumed issued on a pro forma basis		—	2,679
Series B; 50,000,000 shares authorized; 12,106,282 assumed issued on a pro forma basis		—	121
Series C; 600,000,000 shares authorized; no shares assumed issued on a pro forma basis		—	—
ditional paid-in capital		—	5,705,074
cumulated other comprehensive earnings		7,008	7,008
cumulated deficit		(1,154,272)	(1,154,272)
ent's investment		5,507,874	—
Total equity(1)		4,360,610	4,560,610
Total liabilities and equity	$	5,577,710	5,777,710

LMC has agreed to transfer to a subsidiary of our company $200 million of cash prior to the spin off.

SELECTED FINANCIAL DATA

'he following tables present selected historical information relating to our combined financial condition and results of operations for the three months ended March 31, 2005 an
r the past five years. The financial data for the three years ended December 31, 2004 has been derived from our audited combined financial statements for the corresponding pe
'or the other periods presented has been derived from unaudited information. The data should be read in conjunction with our combined financial statements and *"Management'*
ssion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

		March 31, 2005	December 31, 2004	2003	2002	2001	2000
			amounts in thousands				
ary Balance Sheet Data:							
ment in Discovery	$	2,966,139	2,945,782	2,863,003	2,816,513	2,899,824	3,117,87
ty and equipment, net	$	261,603	258,741	257,536	300,496	316,077	366,94
ible assets, net	$	2,140,551	2,140,355	2,136,667	2,112,544	2,043,011	2,315,16
assets	$	5,577,710	5,564,828	5,396,627	5,373,150	5,399,702	5,954,66
including current portion	$	—	—	—	401,984	443,685	408,43
linated notes payable to LMC	$	—	—	—	205,299	183,685	92,45
's investment	$	4,360,610	4,347,279	4,260,269	3,617,417	3,578,364	4,093,15

		Three months ended March 31, 2005	2004	Years ended December 31, 2004	2003	2002	2001	2000(1)
				amounts in thousands				
ary Statement of tions Data:								
ue	$	174,290	145,943	631,215	506,103	539,333	592,732	295,717
ing income (loss)(2)	$	2,877	5,914	16,935	(2,404)	(61,452)	(350,628)	(62,209)
of earnings (loss) of ery(3)	$	22,814	10,449	84,011	37,271	(32,046)	(277,919)	(326,710)
mings (loss)(2)	$	16,825	11,920	66,108	(52,394)	(129,275)	(608,261)	(303,757)
ited pro forma basic and net earnings (loss) per on share(4)	$	0.06	0.04	0.24	(0.19)	(0.46)	(2.17)	(1.08)

Ascent Media was initially formed by LMC in connection with its acquisitions of Four Media Company in April 2000 and The Todd-AO Corporation in June 2000. According
2000 statement of operations data includes amounts from those dates. See "Description of our Business—Ascent Media".

Includes impairment of goodwill and other long-lived assets of $51,000, $562,000, $83,718,000 and $307,932,000 for the years ended December 31, 2004, 2003, 2002 and 20
respectively.

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* , which among other matters, provides tha
excess costs that are considered equity method goodwill are no longer amortized, but are evaluated for impairment

under APB Opinion No. 18. Share of losses of affiliates includes excess basis amortization of $188,570,000 and $186,563,000 for the years ended December 31, 2001 and 2000, respectively.

(4) Unaudited pro forma basic and diluted net earnings (loss) per common share is based on 280,001,000 common shares for the three months ended March 31, 2005 and 2004 and 279,996,000 common shares for the years ended December 31, 2004, 2003 and 2002, which is the number of shares that would have been issued on March 31, 2005 and December 31, 2004, respectively, if the spin off had been completed on such dates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

he following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our panying combined financial statements and the notes thereto included elsewhere herein.

gement's Discussion and Analysis of Financial Condition and Results of Operations of Discovery Holding

iew

'e are a holding company and our businesses and assets include Ascent Media, which we consolidate, and a 50% ownership interest in Discovery, which we account for using tl method of accounting. Accordingly, as described below, Discovery's revenue is not reflected in the revenue we report in our financial statements. In addition to the foregoing as iately prior to the spin off, LMC will transfer to a subsidiary of our company $200 million in cash. On March 15, 2005, LMC announced its intention to spin off all of our capit o the holders of LMC Series A and Series B common stock. The spin off will be effected as a distribution by LMC to holders of its Series A and Series B common stock of shar ies A and Series B common stock. The spin off will not involve the payment of any consideration by the holders of LMC common stock and is intended to qualify as a tax-free . The spin off is expected to be accounted for at historical cost due to the pro rata nature of the distribution. The spin off is expected to occur on July 21, 2005, and will be made d to holders of record of LMC common stock as of the close of business on July 15, 2005.

ollowing the spin off, we and LMC will operate independently, and neither will have any stock ownership, beneficial or otherwise, in the other.

scent Media provides creative, media management and network services to the media and entertainment industries. Ascent Media's clients include major motion picture studios, ndent producers, broadcast networks, cable programming networks, advertising agencies and other companies that produce, own and/or distribute entertainment, news, sports, ite, educational, industrial and advertising content. Ascent Media's operations are organized into the following four groups: creative services, media management services, netw s and corporate and other. Ascent Media has few long-term or exclusive agreements with its creative services and media management services customers.

2005, Ascent Media intends to focus on leveraging its broad array of media services to market itself as a full service provider to new and existing customers within the feature evision production industry. With facilities in the U.S., the United Kingdom and Asia, Ascent Media also hopes to increase its services to multinational companies. The challen cent Media faces include differentiating its products and services to help maintain or increase operating margins and financing capital expenditures for equipment and other iten customers' desire for services using the latest technology.

r most significant asset is Discovery, in which we do not have a controlling financial interest. Discovery is a global media and entertainment company that provides original an ed video programming in the United States and over 160 other countries. We account for our interest in Discovery using the equity method of accounting. Accordingly, our sha lts of operations of Discovery is reflected in our combined results as earnings or losses of Discovery. To assist the reader in better understanding and analyzing our business, w cluded a separate discussion and analysis of Discovery's results of operations. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations ery."

sitions and Dispositions

inetech. On October 20, 2004, Ascent Media acquired substantially all of the assets of Cinetech, Inc., a film laboratory and still image preservation and restoration company, 0,000 in cash plus contingent compensation of up to $1,500,000 to be paid based on the satisfaction of certain contingencies as set forth in the purchase agreement. Cinetech is d in Ascent Media's media management services group.

ondon Playout Centre. On March 12, 2004, Ascent Media acquired the entire issued share capital of London Playout Centre Limited, which we refer to as LPC, a UK-based ion channel origination facility. LPC is included in Ascent Media's network services group.

ony Electronics' System Integration Center. On December 31, 2003, Ascent Media acquired the operations of Sony Electronic's systems integration center business and relate which we refer to as SIC. In exchange, Sony received the right to be paid an amount equal to 20% of the value of the combined business of Ascent Media's wholly owned subsi sociates, Inc. and SIC. The value of 20% of the combined business of AF Associates and SIC was estimated at $6,000,000. SIC is included in Ascent Media's network services

riumph. On December 23, 2002, Ascent Media sold to Leafco Communications, Inc. all of its equity interest in Triumph Communications, Inc. and certain related entities for l consideration plus the assumption of net liabilities in the amount of $4,000,000. Triumph was included in Ascent Media's network services group.

ting Cash Flow

e evaluate the performance of our operating segments based on financial measures such as revenue and operating cash flow. We define operating cash flow as revenue less cost s and selling, general and administrative expense (excluding stock and other equity-based compensation). We believe this is an important indicator of the operational strength a nance of our businesses, including the ability to invest in ongoing capital expenditures and service of any debt. In addition, this measure allows management to view operating r form analytical comparisons and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock and other equity-base nsation, restructuring and impairment charges that are included in the measurement of operating income pursuant to U.S. generally accepted accounting principles, or GAAP. ingly, operating cash flow should be considered in addition to, but not as a substitute for, operating income, cash flow provided by operating activities and other measures of al performance prepared in accordance with GAAP.

of Operations

r combined results of operations include general and administrative expenses incurred at the DHC corporate level, 100% of Ascent Media's results and our 50% share of earnin ery.

cent Media's creative services group revenue is primarily generated from fees for video and audio post production, special effects and editorial services for the television, featu d advertising industries. Generally, these services pertain to the completion of feature films, television programs and advertisements. These projects normally span from a few d months or more in length, and fees for these projects typically range from $10,000 to $1,000,000 per project. The media management services group provides owners of film s a broad range of restoration, preservation, archiving, professional mastering and duplication services. The scope of media management services vary in duration from one day months depending on the nature of the service, and fees typically range from less than $1,000 to $100,000 per project. Additionally, the media management services group incl Media's digital media center which is developing new products and